

**THE FRIENDS OF WWOZ, INC.***Audits of Financial Statements**June 30, 2009 and 2008*

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/24/10

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## **Independent Auditor's Report**

To the Officers and Board of Directors  
Friends of WWOZ, Inc.

We have audited the accompanying statements of financial position of the Friends of WWOZ, Inc. (the Station) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Station's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friends of WWOZ, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2009, on our consideration of the Friends of WWOZ, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Laforte, Selt, König & Haas

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**FRIENDS OF WWOZ, INC.**  
**Statements of Financial Position**  
**June 30, 2009 and 2008**

	2009	2008
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 637,356	\$ 586,356
Capital Campaign Pledges Receivable	300,000	300,000
Other Current Assets	16,570	3,653
Grant Receivable	1,137,096	305,425
Inventory	2,563	43,354
Prepaid Expenses	23,809	24,209
<b>Total Current Assets</b>	<b>2,117,394</b>	<b>1,262,997</b>
Property and Equipment, Net	599,495	515,615
Restricted Cash	99,641	103,263
<b>Total Assets</b>	<b>\$ 2,816,530</b>	<b>\$ 1,881,875</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 1,090,002	\$ 54,395
Deferred Revenue	13,867	13,867
Unearned Grant Revenue	-	76,662
Due to Related Parties	-	925
<b>Total Current Liabilities</b>	<b>1,103,869</b>	<b>145,849</b>
<b>Net Assets</b>		
<b>Unrestricted</b>		
Undesignated	528,716	735,961
Designated for Equipment	599,495	515,615
<b>Total Unrestricted</b>	<b>1,128,211</b>	<b>1,251,576</b>
<b>Temporarily Restricted</b>	<b>584,450</b>	<b>484,450</b>
<b>Total Net Assets</b>	<b>1,712,661</b>	<b>1,736,026</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,816,530</b>	<b>\$ 1,881,875</b>

The accompanying notes are an integral part of these financial statements.

**FRIENDS OF WWOZ, INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue and Support</b>			
Contributions and Membership Fees	\$ 1,325,217	\$ -	\$ 1,325,217
Development Production Grants	658,677	100,000	758,677
Underwriting	110,905	-	110,905
Special Events	191,126	-	191,126
Interest Income	1,093	-	1,093
Other Revenues	1,133,418	-	1,133,418
<b>Total Revenue and Support</b>	<b>3,420,436</b>	<b>100,000</b>	<b>3,520,436</b>
<b>Expenses</b>			
<b>Program Services</b>			
Programming and Production	860,734	-	860,734
Broadcasting and Internet Services	657,876	-	657,876
Program Information and Promotion	71,895	-	71,895
<b>Total Program Services</b>	<b>1,590,505</b>	<b>-</b>	<b>1,590,505</b>
<b>Supporting Services</b>			
<b>Fundraising and Membership Development</b>			
Program and Membership Development	1,426,610	-	1,426,610
Program Underwriting and Grant Solicitation	61,785	-	61,785
Special Events	78,533	-	78,533
<b>Total Fundraising and Membership Development</b>	<b>1,566,928</b>	<b>-</b>	<b>1,566,928</b>
Management and General	386,368	-	386,368
<b>Total Supporting Services</b>	<b>1,953,296</b>	<b>-</b>	<b>1,953,296</b>
<b>Total Expenses</b>	<b>3,543,801</b>	<b>-</b>	<b>3,543,801</b>
<b>Change in Net Assets</b>	<b>(123,365)</b>	<b>100,000</b>	<b>(23,365)</b>
<b>Net Assets, Beginning of Year</b>	<b>1,251,576</b>	<b>484,450</b>	<b>1,736,026</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,128,211</b>	<b>\$ 584,450</b>	<b>\$ 1,712,661</b>

The accompanying notes are an integral part of these financial statements.

**FRIENDS OF WWOZ, INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue and Support</b>			
Contributions and Membership Fees	\$ 1,568,924	\$ 300,000	\$ 1,868,924
Development Production Grants	422,024	-	422,024
Underwriting	109,260	-	109,260
Special Events	159,534	-	159,534
Interest Income	15,187	-	15,187
Other Revenues	1,435,896	-	1,435,896
<b>Total Revenue and Support</b>	<b>3,710,825</b>	<b>300,000</b>	<b>4,010,825</b>
<b>Expenses</b>			
<b>Program Services</b>			
Programming and Production	1,518,816	-	1,518,816
Broadcasting and Internet Services	492,648	-	492,648
Program Information and Promotion	26,829	-	26,829
<b>Total Program Services</b>	<b>2,038,293</b>	<b>-</b>	<b>2,038,293</b>
<b>Supporting Services</b>			
<b>Fundraising and Membership Development</b>			
Program and Membership Development	970,057	-	970,057
Program Underwriting and Grant Solicitation	66,779	-	66,779
Special Events	47,273	-	47,273
<b>Total Fundraising and Membership Development</b>	<b>1,084,109</b>	<b>-</b>	<b>1,084,109</b>
Management and General	324,025	-	324,025
<b>Total Supporting Services</b>	<b>1,408,134</b>	<b>-</b>	<b>1,408,134</b>
<b>Total Expenses</b>	<b>3,446,427</b>	<b>-</b>	<b>3,446,427</b>
<b>Change in Net Assets</b>	<b>264,398</b>	<b>300,000</b>	<b>564,398</b>
<b>Net Assets, Beginning of Year</b>	<b>987,178</b>	<b>184,450</b>	<b>1,171,628</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,251,576</b>	<b>\$ 484,450</b>	<b>\$ 1,736,026</b>

The accompanying notes are an integral part of these financial statements.

**FRIENDS OF WWOZ, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2009**

	Agency Total	Supporting Services			Total Program Services	Program Services		
		Total Support Services	Management and General	Fundraising and Membership Development		Programming and Production	Broadcasting and Internet Services	Program Information and Promotion
<b>Expenses</b>								
Salaries, Payroll Taxes and								
Employee Benefits	\$ 595,514	\$ 288,391	\$ 167,138	\$ 121,253	\$ 307,123	\$ 152,001	\$ 155,122	\$ -
Professional Services	147,666	117,614	41,987	75,627	30,052	1,140	28,912	-
IT Support Services	17,341	3,408	2,979	429	13,933	579	13,354	-
Contract Labor	75,940	70,668	14,298	56,370	5,272	-	5,272	-
Website	222,073	-	-	-	222,073	-	222,073	-
Program Production	209,828	42,271	-	42,271	167,557	123,176	-	44,381
Membership Premiums	64,196	64,196	-	64,196	-	-	-	-
Equipment	17,306	-	-	-	17,306	-	17,306	-
Occupancy	62,930	29,565	15,445	14,120	33,365	15,717	17,648	-
Telephone	46,922	23,673	15,176	8,497	23,249	9,842	13,407	-
Office Supplies and Postage	26,333	16,710	9,033	7,677	9,623	6,197	3,426	-
Jazz Fest Related Expenses	1,073,216	536,608	-	536,608	536,608	536,608	-	-
Graphics	35,791	32,459	4,182	28,277	3,332	2,954	378	-
Special Events	548,268	538,445	-	538,445	9,823	-	9,823	-
Affiliation Fees	22,103	9,645	-	9,645	12,458	-	-	12,458
Financial Fees	34,864	34,864	3,987	30,877	-	-	-	-
Insurance	42,510	11,474	11,474	-	31,036	-	31,036	-
Mobile Truck	4,923	-	-	-	4,923	-	4,923	-
Operations and Maintenance	58,939	22,880	4,588	18,292	36,059	4,931	31,128	-
Related Business	100,064	6,475	6,475	-	93,589	-	78,533	15,056
Development and Training	20,811	14,699	7,657	7,042	6,112	4,078	2,034	-
Other Expenses	35,272	8,260	958	7,302	27,012	3,511	23,501	-
Depreciation	80,991	80,991	80,991	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 3,543,801</b>	<b>\$ 1,953,296</b>	<b>\$ 386,368</b>	<b>\$ 1,566,928</b>	<b>\$ 1,590,505</b>	<b>\$ 860,734</b>	<b>\$ 657,876</b>	<b>\$ 71,895</b>

The accompanying notes are an integral part of these financial statements.



**FRIENDS OF WWOZ, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2008**

	Agency Total	Supporting Services			Total Program Services	Program Services		
		Total Support Services	Management and General	Fundraising and Membership Development		Programming and Production	Broadcasting and Internet Services	Program Information and Promotion
Expenses								
Salaries, Payroll Taxes and								
Employee Benefits	\$ 507,157	\$ 270,756	\$ 176,523	\$ 94,233	\$ 236,401	\$ 108,647	\$ 127,754	\$ -
Professional Services	259,726	205,896	22,050	183,846	53,830	6,822	47,008	-
Website	115,434	-	-	-	115,434	-	115,434	-
Production Costs	772,255	-	-	-	772,255	743,748	28,507	-
Membership Premiums	69,352	64,841	-	64,841	4,511	-	-	4,511
Equipment	8,342	-	-	-	8,342	-	8,342	-
Occupancy	57,802	24,527	13,428	11,099	33,275	12,910	20,365	-
Telephone	39,612	17,521	10,860	6,661	22,091	7,725	14,366	-
Office Supplies and Postage	28,562	21,771	4,261	17,510	6,791	2,350	4,441	-
Jazz Fest Related Expenses	1,261,190	630,595	-	630,595	630,595	630,595	-	-
Graphics	20,893	14,474	1,035	13,439	6,419	171	171	6,077
Special Events	121,473	47,273	-	47,273	74,200	-	68,076	6,124
Affiliation Fees	10,117	-	-	-	10,117	-	-	10,117
Insurance	32,727	2,325	2,325	-	30,402	-	30,402	-
Mobile Truck	22,362	-	-	-	22,362	-	22,362	-
Other Expenses	49,558	38,290	23,678	14,612	11,268	5,848	5,420	-
Depreciation	69,865	69,865	69,865	-	-	-	-	-
Total Expenses	\$ 3,446,427	\$ 1,408,134	\$ 324,025	\$ 1,084,109	\$ 2,038,293	\$ 1,518,816	\$ 492,648	\$ 26,829

The accompanying notes are an integral part of these financial statements.

**FRIENDS OF WWOZ, INC.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2009 and 2008**

	2009	2008
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (23,365)	\$ 564,398
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	80,991	69,865
Changes in Assets and Liabilities		
Increase in Capital Campaign Pledges	-	(298,075)
(Increase) Decrease in Other Receivable	(12,917)	12,882
Increase in Grant Receivable	(831,671)	(250,142)
Decrease (Increase) in Inventory	40,790	(13,404)
Decrease (Increase) in Prepaid Expenses	400	(8,662)
Decrease in Restricted Assets	3,622	1,000
Increase in Accounts Payable	1,035,607	25,296
Decrease in Deferred Revenue	-	(26,133)
(Decrease) Increase in Unearned Grant Revenue	(76,662)	76,662
Decrease in Other Liabilities	(925)	(2,130)
<b>Net Cash Provided by Operating Activities</b>	<b>215,870</b>	<b>151,557</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property and Equipment	(164,870)	(67,739)
<b>Net Cash Used in Investing Activities</b>	<b>(164,870)</b>	<b>(67,739)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>51,000</b>	<b>83,818</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>586,356</b>	<b>502,538</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 637,356</b>	<b>\$ 586,356</b>

The accompanying notes are an integral part of these financial statements.

## **FRIENDS OF WWOZ, INC.**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies**

##### **Nature of Activities**

The Friends of WWOZ, Inc. (the Station) is a nonprofit community radio station which was organized under the laws of the State of Louisiana on June 16, 1986. The Station operates a noncommercial, educational radio station which was licensed to operate by the Federal Communications Commission on October 29, 1981. The Station's call letters are WWOZ-FM. The mission of the Station is to celebrate the cultural diversity of New Orleans and its surrounding regions through music and information. The Station is funded mainly by federal and state grants, support from the New Orleans Jazz and Heritage Foundation (the Foundation), community fundraising and underwriting contributions.

##### **Basis of Accounting**

The accounts of the Station are maintained in conformity with the principles of not-for-profit accounting. The accompanying financial statements of the Station have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Allowance for Doubtful Accounts**

The Station provides for possible uncollectible receivables as determined by management. As of June 30, 2009 and 2008, all receivables were deemed collectible. No allowance of doubtful accounts was recorded.

##### **Property and Equipment**

The Station records all asset acquisitions at cost, except for assets donated to the Station. Donated assets are recorded at appraisal value or estimated fair value determined as of the date of donation.

Equipment acquired with funds received through grants or contributions on which specific objectives are stipulated are reported as net assets designated for equipment.

Depreciation expense is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives as follows:

<b>Asset Category</b>	<b>Estimated Useful Life</b>
Leasehold Improvements	10 Years
Furniture and Fixtures	10 Years
Equipment	7 - 10 Years
Automobiles	5 Years
Computers	3 Years

## **FRIENDS OF WWOZ, INC.**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Costs Incurred for Programs Not Yet Broadcast**

Costs incurred for programs not yet broadcast are capitalized. Such costs relate to programs produced by the Station that will be broadcast subsequent to June 30<sup>th</sup>. Programs to be completed and broadcast within one year are classified as current assets whereas programs to be completed and broadcast in more than one year are classified as long-term. As the programs are broadcast, the costs incurred will be included in operating expenses. Program status is evaluated annually. Costs associated with programs not considered to have future benefit are adjusted to net realizable value. As of June 30, 2009 and 2008, there were no costs incurred for programs not yet broadcast.

##### **Income Taxes**

The Station's activities relating to the operation of its radio station are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Station qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code.

##### **Revenue Recognition**

Contributions and membership fees are recognized when they are received or unconditionally pledged. Conditional contributions are recognized when they are received with donor stipulations that limit the use of the contributions.

Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Grant revenues are recognized when the grant is received or when the grantor makes a promise that is in substance, unconditional. For certain grants where eligibility is determined based on the Station's ability to secure financial support from other sources, the grant revenue is recognized when the conditions are substantially met. Certain grants are restricted for the purchase of equipment and for the payment of certain operational expenses. When the Station is notified that they are a recipient of these grants, the amounts are included as temporarily restricted grant revenue in the accompanying statements of activities. Grant funding received in advance of expenditures for allowable grant purposes is recognized as deferred (unearned) grant revenue.

## **FRIENDS OF WWOZ, INC.**

### **Notes to Financial Statements**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **Revenue Recognition (Continued)**

Revenues and expenses from various activities conducted for the purpose of raising funds for the Station's operations, other than membership drives, are reported at gross amounts. The expenses include the cost of direct benefits to donors. The value of items donated for such events are not recorded as these amounts are not readily determinable.

##### **In-Kind Contributions**

The Station records as revenue the value of the substantially free use of radio broadcast, office facilities and an office building, and recognizes a similar amount as expense.

Contributed materials, supplies, facilities and property are recorded at their estimated fair value at the date of the donation. The Station reports gifts of equipment, professional services, materials and other non-monetary contributions as unrestricted revenue in the accompanying statement of activities.

If the fair value of contributed materials, supplies, facilities and property cannot be reasonably determined, they are not recorded. Donated personal services of non-professional volunteers, as well as national and local programming services, are not recorded as revenue and expenses as there is no objective basis available to measure the value of such services.

Contributed advertising and promotion are recorded at the fair value of the contribution portion of the total value received.

##### **Corporation for Public Broadcasting Community Service Grants**

The Corporation for Public Broadcasting (CPB) is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. The CPB was established by Congress with the purpose of providing services, funding and advocacy for public television and radio stations in America. In doing so, the CPB annually awards grants to qualified stations, such as WWOZ-FM.

The Station receives a Community Service Grant from CPB annually. The funds from this grant may be used for general operations and are, therefore, reported on the accompanying financial statements as an increase in unrestricted net assets. The Station also receives a National Program Production and Acquisition Grant (NPPAG), which provides funding for restricted uses: either for the acquisition of programs produced for national distribution or the actual production of programs that are distributed nationally. NPPAG funds must be expended within 18 months of receipt. NPPAG funds are reported on the accompanying financial statements as an increase in temporarily restricted net assets until satisfaction of the time and purpose restrictions, after which they are reported as a release from temporarily restricted net assets and an increase in unrestricted net assets. If restrictions are satisfied within the period received, funds are reported as an increase in unrestricted net assets.

**FRIENDS OF WWOZ, INC.**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Corporation for Public Broadcasting Community Service Grants (Continued)**

Certain general provisions must be satisfied in connection with the application for and use of grants to maintain eligibility and meet compliance requirements. These general provisions pertain to the use of grant funds, record keeping audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

**Advertising Costs**

Advertising costs are expensed in the year incurred.

**Commissions**

The Station has agreements with independent consultants to solicit and acquire funds for program underwriting and other activities related to public broadcasting. The agreements provide for payment of commissions to the consultants based on varying percentages of funds received.

**Statement of Cash Flows**

For the purposes of reporting cash flows, the Station considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards, *Board Accounting Standards Codification* (ASC) 958-205 (*Not-for-Profit Entities - Presentation of Financial Statements*). In accordance with ASC 958-205, the Station is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Station is required to present a statement of cash flows. As permitted by this statement, the Station has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the required classes of net assets.

As of June 30, 2009 and 2008, the Station has no permanently restricted net assets.

**Allocation of Functional Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, program and supporting service expenses are specifically identified with or allocated to the Station's various functions. Expenses are allocated based primarily on direct payroll charges, equipment usage or space occupied, and on estimates made by the Station's management.

**FRIENDS OF WWOZ, INC.**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**New Accounting Pronouncements**

In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes* - an interpretation of FASB Statement No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to the opening balance of retained earnings. Additional disclosures about the amounts of such liabilities will be required also.

The Station presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*. The Station has elected to defer the application of Interpretation 48 in accordance with FASB Staff Position (FSP) FIN 48-3. This FSP defers the effective date of FIN 48 for nonpublic enterprises, such as the Station, included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Station will be required to adopt FIN 48 in its 2010 annual financial statements. Management has not assessed the impact of FIN 48 on its financial position and results of operations and has not determined if the adoption of FIN 48 will have a material effect on its financial statements.

**Note 2. Restricted Cash**

As of June 30, 2009 and 2008, total cash of \$99,641 and \$103,263 was generated through capital campaign efforts. Cash is restricted for purchasing equipment and furnishings, constructing a new building, payment of legal and professional expenses, and leasehold improvements.

## FRIENDS OF WWOZ, INC.

### Notes to Financial Statements

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#### Note 3. Property and Equipment

Property and equipment at June 30, 2009 and 2008, consisted of the following:

	2009	2008
Office Furniture and Fixtures	\$ 12,980	\$ 12,980
Broadcast Equipment	696,007	587,136
Broadcast Trucks	150,331	148,643
Radio Station Equipment	121,434	106,872
Leasehold Improvements	39,750	-
Total	1,020,502	855,631
Less: Accumulated Depreciation	(421,007)	(340,016)
<b>Property and Equipment, Net</b>	<b>\$ 599,495</b>	<b>\$ 515,615</b>

Depreciation expense for the fiscal years ended June 30, 2009 and 2008 totaled \$80,991 and \$69,895, respectively.

On September 1, 1993 and September 1, 1994, the Station was awarded a grant by the U.S. Department of Commerce, Public Telecommunications Facilities Program which provided a percentage of the cost of new equipment. The terms of the grants provided for repayment under certain conditions which generally relate to a change in ownership from nonprofit to proprietary or changes in uses of such assets acquired with grant funds within a ten year period beginning on the date of each grant.

October 1, 2006, the station was awarded additional grants by the U.S. Department of Commerce, Public Telecommunications Facilities Program for various equipment with a total cost of \$205,375, and matching amounts of \$55,283 and \$73,480 from the Station.

As of June 30, 2009 and 2008, the equipment purchased with these funds is designated in unrestricted net assets.

#### Note 4. Promises to Give

Promises to give were generated through the Station's Capital Campaign Efforts. These promises to give, totaling \$300,000 as of June 30, 2009 and 2008, are unconditional and are due within one year. They are restricted for the purposes of purchasing equipment and furnishings, construction of a new building, payment of legal and professional expenses, and leasehold improvements.



## **FRIENDS OF WWOZ, INC.**

### **Notes to Financial Statements**

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#### **Note 5. Temporarily Restricted Net Assets**

Temporarily restricted net assets, totaling \$584,450 and \$484,450 as of June 30, 2009 and 2008, were generated through capital campaign contributions and are restricted for use in purchasing equipment and furnishings, construction of a new building, payment of legal and professional expenses, and leasehold improvements.

#### **Note 6. Concentration of Credit Risk**

The Station maintains demand deposit account balances at a bank and a stock brokerage firm. The accounts contain cash and marketable securities. The Station maintains cash deposits in a commercial bank that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Station has entered into an agreement with a financial institution to invest its cash in overnight repurchase agreements in order to secure its cash balances.

#### **Note 7. Line of Credit**

At June 30, 2009, the Station had an unused line of credit with a financial institution for \$250,000 at 3.25%, maturing on September 25, 2009. At June 30, 2008, the Station had an unused line of credit with a financial institution for \$250,000 at 4.50%, that matured on December 31, 2008.

#### **Note 8. Commitments and Contingencies**

##### **Leases**

The Station leases its office and studio pursuant to a non-cancellable lease which dates to July 1, 2008. The lease extends through June 30, 2010 with an option to renew for three consecutive renewal terms of three years. The lease stipulates a minimum annual rent of \$21,000, plus the value of a trade agreement with the lessor for advertising through the Station with an annual value of \$50,220. The trade agreement must be renegotiated annually to the satisfaction of the lessor.

The rent expense for the years ended June 30, 2009 and 2008, totaled \$21,000 and \$19,850, respectively.

Rent paid for the transmitter site lease at Tulane University totaled \$5,000 and \$6,000 for the years ended June 30, 2009 and 2008.

Various rental expenses resulting from month to month operating leases of equipment and a storage facility approximated \$33,700 and \$19,700 for the years ended June 30, 2009 and 2008.

**FRIENDS OF WWOZ, INC.**

**Notes to Financial Statements**

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**Note 8. Commitments and Contingencies (Continued)**

**Leases (Continued)**

The Station executed a long-term lease agreement effective April 1, 2002 with the City of New Orleans for a parcel of land. The initial term of the lease is for forty (40) years ending on March 31, 2042. The annual rental was \$75 for the first five (5) years. The lease was renewed at the end of the five year period with a continued annual rent of \$75. The agreement provides for two (2) option renewal periods of twenty-five (25) and twenty-four (24) years duration, respectively.

**Contingencies**

The Station is a recipient of grants from federal and state funds. These grants are governed by various federal and state guidelines, regulations and contractual agreements. The administration of the program and activities funded by these grants is under the control and administration of the Station and is subject to audit and/or review by the applicable funding sources. Any grant or award funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

**Note 9. Broadcast Hours**

The broadcast hours of the radio station were 8,538 and 8,784 (unaudited) for the years ended June 30, 2009 and 2008.

**Note 10. Retirement Plan**

The Station has a qualified defined contribution retirement plan (the Plan) covering substantially all employees. Eligibility in the Plan is based upon years of employment with the Station. Contributions made by the Station are discretionary. Retirement expense for the fiscal years ended June 30, 2009 and 2008 totaled \$9,608 and \$4,156, respectively.

**Note 11. Risk Management**

The Station is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets for which the Station carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**Note 12. Board of Directors' Compensation**

The Board of Directors of the Friends of WWOZ, Inc. is a voluntary board; therefore, no compensation has been paid to any member.

**FRIENDS OF WWOZ, INC.****Notes to Financial Statements**

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**Note 13. Corporation for Public Broadcasting Community Service Grants**

As mentioned in Note 1, the Station received various Community Service Grants from the Corporation for Public Broadcasting. During the fiscal years ended June 30, 2009 and 2008, the Station received and expended the Community Service Grants as follows:

**Fiscal Year Ended June 30, 2009**

<b>Grants Received</b>	<b>Purpose</b>	<b>Amount Funded</b>	<b>Amount Expended</b>	<b>Balance at June 30, 2009</b>
<b>Community Services Grant</b>	<b>Operations</b>	<b>\$ 194,927</b>	<b>\$194,927</b>	<b>\$ -</b>
<b>National Program Production and Acquisition Grant</b>	<b>Operations</b>	<b>\$ 75,806</b>	<b>\$ 75,806</b>	<b>\$ -</b>
<b>Internet Acquisition Grant</b>	<b>Operations</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ -</b>

**Fiscal Year Ended June 30, 2008**

<b>Grants Received</b>	<b>Purpose</b>	<b>Amount Funded</b>	<b>Amount Expended</b>	<b>Balance at June 30, 2008</b>
<b>Community Services Grant</b>	<b>Operations</b>	<b>\$ 186,012</b>	<b>\$186,012</b>	<b>\$ -</b>
<b>National Program Production and Acquisition Grant</b>	<b>Operations</b>	<b>\$ 71,801</b>	<b>\$ 71,801</b>	<b>\$ -</b>

**Note 14. Related-Party Transactions**

The New Orleans Jazz and Heritage Foundation (the Foundation) appoints the president and the board members to the Board of Directors of the Station.

During the year ended June 30, 2009, the Foundation granted the Station \$1,073,215 to cover certain fees relating to the Jazz and Heritage Festival. This yearly grant covers all the rights, benefits, services and uses of property and fixtures at the Fair Grounds during the annual New Orleans Jazz and Heritage Festival. The amount granted varies from year to year, depending on the nature, scope and value of the rights, benefits, services and uses accorded to the Station in any particular year. This grant will be repaid to the Jazz and Heritage Festival during the year ended June 30, 2010. A liability of this amount is reported on the Statement of Financial Position within the Accounts Payable line item. The funds, totaling \$1,073,215, that will be received from the Foundation are reported on the Statement of Activities within the other revenues line item. Expenses of an equal amount are reported on the Statement of Functional Expense within the Jazz Fest related expenses line item.

**FRIENDS OF WWOZ, INC.**

**Notes to Financial Statements**

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**Note 14. Related-Party Transactions (Continued)**

During the year ended June 30, 2008, the Foundation granted the Station \$1,261,190 to cover certain fees relating to the Jazz and Heritage Festival. This grant was repaid to the Jazz and Heritage Festival during the year ended June 30, 2008. The funds, totaling \$1,261,190, that were received from the Foundation are reported on the Statement of Activities within the other revenues line item. Expenses of an equal amount are reported on the Statement of Functional Expense within the Jazz Fest related expenses line item.

**Note 15. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 5, 2009, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

## **SUPPLEMENTAL INFORMATION**

**FRIENDS OF WWOZ, INC.**  
**Supplemental Information**  
**Schedule of Grant Activity**  
**For the Year Ended June 30, 2009**

**Schedule I**

SOURCES	IDENTIFYING NUMBER	PROGRAM NAME	CONTRACT PERIOD	GRANT REVENUE / EXPENSE
Corporation for Public Broadcasting	FY 2009	Community Service Grant	10/1/08 - 9/30/10	\$ 194,927
	FY 2009	National Program Production and Acquisition Grant	10/1/08 - 9/30/10	75,806
	FY 2009	Internet Acquisition Grant	10/1/06 - 9/30/08	5,000
		Total Corporation for Public Broadcasting		<u>275,733</u>
United States Department of Commerce	11.550 PTFP	Public Telecommunications Facilities Program	10/1/06 - 12/31/08	<u>195,306</u>
United States Department of Commerce	11.550 PTFP	SURDNA	3/19/09 - 12/31/09	<u>100,000</u>
New Orleans Jazz & Heritage Foundation	FY 2009	NOJHF Infrastructure Grant	10/1/08 - 12/31/10	<u>235,000</u>
LETA -Louisiana Public Broadcasting	FY09 19-662	LETA Funding Allocation	12/1/2008 - 6/30/09	<u>21,428</u>
New Orleans Tourism Marketing Corporation	FY 2009	NOTMC Funding Allocation	10/1/08 - 12/31/09	<u>50,000</u>
Arts Council of New Orleans	FY 2009	Community Arts Grant	01/01/07 - 12/31/08	1,650
	FY 2009	Community Arts Grant	01/01/09 - 12/31/09	5,288
	FY 2009	Community Arts Grant	01/01/09 - 12/31/09	20,210
		Total Arts Council of New Orleans		<u>27,148</u>
		Total Grants Revenue/Expenses		<u>\$ 904,615</u>

See Independent Auditor's Report.

**FRIENDS OF WWOZ, INC.**  
**Supplemental Information**  
**Schedule of Grant Activity**  
**For the Year Ended June 30, 2009**

**Schedule I (Continued)**

SOURCES	IDENTIFYING NUMBER	PROGRAM NAME	CONTRACT PERIOD	GRANT REVENUE / EXPENSE
Corporation for Public Broadcasting	FY 2008	Community Service Grant	10/1/07 - 9/30/09	\$ 186,012
	FY 2008	National Program Production and Acquisition Grant	10/1/07 - 9/30/09	71,801
		Total Corporation for Public Broadcasting		257,813
United States Department of Commerce	11.550 PTFP	Public Telecommunications Facilities Program	10/1/06 - 12/31/08	73,480
<u>State of Louisiana</u> Department of Treasury - Office of Cultural Development	FY 2008	Institution	01/01/07 -12/31/07	6,250
Louisiana Public Broadcasting	N/A	LPB Funding Allocation	12/1/2007- 6/30/08	269
LETA -Louisiana Public Broadcasting	FY08 19-662	LETA Funding Allocation	12/1/2007- 6/30/08	14,286
New Orleans Tourism Marketing Corporation	FY 2008	NOTMC Funding Allocation	12/1/2007- 6/30/08	50,000
Arts Council of New Orleans	FY 2008	Community Arts Grant	01/01/07 -12/31/08	4,950
	FY 2008	Community Arts Grant	01/01/07 -12/31/07	11,233
	FY 2008	Community Arts Grant	01/01/07 -12/31/07	3,743
		Total Arts Council of New Orleans		19,926
		Total Grants Revenue/Expenses		\$ 422,024

See Independent Auditor's Report.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Officers and Board of Directors  
Friends of WWOZ, Inc

We have audited the financial statements of the Friends of WWOZ, Inc. (the Station) (a nonprofit organization) as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated November 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Station's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Station's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Station's financial statements that is more than inconsequential will not be prevented or detected by the Station's internal control. The results of our tests disclosed three (3) instances of a control deficiency over financial reporting which are described in the accompanying schedule of findings and questioned costs as items 09-01 through 09-03.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Station's internal control.



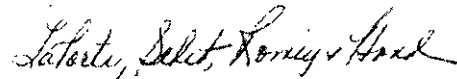
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider items 09-01 through 09-03 to be material weaknesses.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

November 5, 2009

**FRIENDS OF WWOZ, INC.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2009**

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**Part I - Summary of Auditor's Results**

**Financial Statement Section**

Type of Auditor's Report Issued Unqualified

Internal Control over Financial Reporting:

Material Weaknesses Identified? Yes

Significant Deficiencies Identified not Considered  
to be Material Weaknesses? No

Noncompliance Material to Financial Statements Noted? No

Management's Summary Schedule of Prior Audit Findings See Attached

Memorandum of Other Comments and Recommendations Yes

**Federal Awards Section**

Internal Control over Major Programs:

Material Weakness(es) Identified? N/A

Significant Deficiency(ies) Identified not Considered  
to be Material Weaknesses? N/A

Type of Auditor's Report on Compliance for Major Programs: N/A

Any Audit Findings Disclosed that are Required to be Reported  
in Accordance with OMB Circular A-133 (Section 510(a))? N/A

**Identification of Major Programs**

Dollar Threshold Used to Determine Type A and Type B Programs: N/A

Auditee Qualified as Low-Risk Auditee? N/A

Management Letter Issued? Yes

**FRIENDS OF WWOZ, INC.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2009**

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**Part II - Financial Statement Findings Section**

**Finding 09-01 – Lack of Supervisory Oversight**

**Condition:** In our review of supporting documentation during our audit, there appeared to be a lack of immediate supervisory oversight over work performed by accounting personnel. Beginning in April 2009, management has begun to meet with the accountant to review work but this process has not been consistently implemented.

**Criteria:** Good business practice requires immediate supervisory oversight over work performed by subordinates.

**Effect:** The lack of appropriate review can permit errors to be made without timely detection.

**Cause:** The primary contributing factor is attributed to the size of the organization, which has only one person in charge of the accounting and reporting functions.

**Recommendation:** Management should look into ways to improve on this condition and implement necessary procedures to ensure controls are effectively maintained in the Accounting department on a consistent basis.

**Management Response:** We acknowledge the auditor's observation and will execute the recommendations. This observation is being addressed. Management is in the process of implementing additional supervision within the accounting department to segregate duties and responsibilities.

**Finding 09-02 – Improperly Recorded Depreciation Expense**

**Condition:** Depreciation expense was not properly recorded in the current year and leasehold improvement acquisitions were not added to the depreciation schedule.

**Criteria:** The Station's capitalization policy requires depreciation expense to be recorded on a straight-line basis over the estimated useful life of the assets.

**Effect:** Depreciation expense totaling \$34,784 was not recorded in the general ledger, causing an overstatement of the Station's fixed asset balance as well as an understatement of expenses.

**Cause:** Inexperience of the accounting personnel over the asset depreciation process as well as a lack of review of the work performed with respect to financial reporting by immediate supervisor.

**Recommendation:** We recommend that management implement training of the Accounting staff member and a system of oversight that will ensure the accuracy and timely recording of depreciation expense.

**Management Response:** We acknowledge the auditor's observation. As of October 8, 2009, this problem has been rectified. Periodic spot checks will be conducted to assure compliance with the recommendations of the auditors.

**FRIENDS OF WWOZ, INC.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2009**

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**Finding 09-03 – Lack of Controls Over Disbursements**

**Condition:** During our review of fixed asset additions, the support for several disbursements could not be located, including copies of the invoices and canceled checks. Additionally, we noted most check request forms did not contain account codes for accounts being charged. In addition, check transactions were processed without proper approvals shown on check request forms.

**Criteria:** Management of the Station is responsible for the implementation of controls that ensure proper approval of transactions, filing and retention of supporting documentation, and identification of coding on the check request form that reflect appropriate charge codes.

**Effect:** Untimely delays in detecting and correcting errors and omissions. Increased exposure for fraud and misappropriations of assets, and the possibility that they would not be detected within a timely basis.

**Cause:** Weak controls with respect to supervisory oversight and review of accountant's work.

**Recommendation:** We recommend that management strengthen controls over disbursements, including the proper completion and approval of check request forms as well as maintaining adequate support for all disbursements.

**Management Response:** We acknowledged the auditor's observation. On the fifth of every month, the General Manager and the Bookkeeper will review the credit card statement to assure that all items on the statement have corresponding receipts. In addition, the bookkeeper has been instructed to include this procedure in her checklist of recurring tasks.

**Part III - Federal Awards Findings and Questioned Costs**

Not applicable.

**Part IV - Management Letter**

See separate letter dated September 25, 2009.

**FRIENDS OF WWOZ, INC.**  
**Management's Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2009**

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**Finding 08-01 – Inadequate Design of Internal Control over the Preparation of Financial Statements**

Condition: During our audit, we noted that the person responsible for facilitating the audit information lacked sufficient knowledge over the financial software. This issue did impact and delay the audit team from completing the engagement within a timely fashion.

Criteria: The Station's procedures related to preparation of external financial statements should ensure that the statements are prepared in accordance with generally accepted accounting principles such that there is no greater than a remote likelihood that a misstatement of the Station's financial statements that is more than inconsequential will not be prevented or detected.

Effect: There were various errors and misclassifications on the financial statements being audited. As a result of those errors, the Station's financial statements could be materially misstated and those misstatements would not be detected by current internal controls in place.

Cause: The transition from the old accounting software to the new accounting software did not provide for proper training for the staff responsible for the daily operating of the new accounting software and how the Station's daily operations affected the overall accounting records and processes.

Recommendation: We recommend that management re-evaluate its current system of controls and implement procedures to ensure that the financial statements are free from material error or misstatement, such as a process of review by a second party, preparation of a disclosure checklist and other similar procedures.

Current Status: Resolved.

**Finding 08-02 – Lack of Reconciliation of Account Balances**

Condition: Certain general ledger account balances were not reconciled properly and timely to supporting general ledger detail. As such, the Station does not have a control system in place to ensure proper filing and maintenance of records. Additionally, schedules received for fixed assets, depreciation expense, accounts receivable, and grants receivable at year end did not agree with related general ledger balances.

Criteria: Established procedures should be in place to determine that the account balances in the financial system are in agreement with the general ledger balances. Adequate controls regarding cash management should include accurate and timely reconciliation of all bank accounts.

Effect: Unreconciled balances could lead to misstated account balances in the general ledger.

**FRIENDS OF WWOZ, INC.**

**Management's Summary Schedule of Prior Audit Findings (Continued)**  
**For the Year Ended June 30, 2009**

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**Finding 08-02 – Lack of Reconciliation of Account Balances (Continued)**

**Cause:** Since the Station's accountant was new to the position and with a lack of formal process controls, the Station's general ledger accounts balances were not reconciled properly and timely to supporting general ledger detail. As such, the Station does not have a control system in place to ensure proper filing and maintenance of records. Consequently, several requested items that supported accounts balances were never located. The Station did not have certain account reconciliations prepared or available for review for the current fiscal year. Additionally, several of the schedules received for fixed assets, depreciation expense, accounts receivable, and grants receivable at year end did not agree with related general ledger balances.

**Recommendation:** We recommended that management implement a system of oversight that will ensure the accuracy of monthly reconciliations and timely follow-up on discrepancies.

**Current Status:** Resolved.

**Finding 08-03 – Lack of Supervisory Oversight**

**Condition:** *In our review of supporting documentation during our audit, there appeared to be a lack of immediate supervisory oversight over work performed by accounting personnel. Reviews appear to be performed on a sporadic basis or when errors and mistakes are detected.*

**Criteria:** Good business practice requires immediate supervisory oversight over work performed by subordinates.

**Effect:** The lack of appropriate review can permit errors to be made without timely detection.

**Cause:** The primary contributing factor is attributed to the size of the organization, which has only one person in charge of the accounting and reporting functions.

**Recommendation:** Management should look into ways to improve on this condition and implement necessary procedures to ensure controls are effectively maintained in the Accounting department.

**Current Status:** Partially resolved. See Item 09-01.

**FRIENDS OF WWOZ, INC.**

**Management's Summary Schedule of Prior Audit Findings (Continued)  
For the Year Ended June 30, 2009**

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**Finding 08-04 – Incorrect Recording of Grant and Underwriting Revenue and Receivables**

Condition: During our audit, we noted the following deficiencies with respect to the recording of grant and underwriting revenue:

- Executed contract agreements for air time slots were not booked into the general ledger as unearned revenue and recognized as revenue in the period earned.
- Advance billings are recorded as revenues when billed instead of when earned.
- Certain grant receivables and related revenue were not recorded when earned, including a \$76,662 receivable that was not recorded although reimbursable costs were incurred and billed.

Criteria: Unconditional contributions and revenue should be recognized when they are earned or pledged.

Effect: Improper recording and misclassifications of revenue and deferred revenue.

Cause: Lack of proper review and oversight of transactions in the financial records.

Recommendation: We recommend that management make all necessary efforts to ensure that policies and procedures for recording revenue are in place and that revenue is getting booked to the general ledger in the proper period.

Current Status: Resolved.

**Finding 08-05 – Unrecorded Depreciation Expense**

Condition: Depreciation expense was not recorded in the current year. Additionally, we noted differences between estimated useful lives used to calculate depreciation expense and estimated useful lives referenced in the capitalization policy.

Criteria: The Station's capitalization policy requires depreciation expense to be recorded on a straight-line basis over the estimated useful life of the assets.

Effect: Depreciation expense totaling \$69,865 was not recorded in the general ledger, causing an overstatement of the Station's fixed asset balance as well as an understatement of expenses.

Cause: Inexperience of the accounting personnel over the asset depreciation process as well as a lack of review of the work performed with respect to financial reporting by immediate supervisor.

Recommendation: We recommend that management implement training of the Accounting staff member and a system of oversight that will ensure the accuracy and timely recording of depreciation expense.

Current Status: Unresolved. See item 09-02.

**FRIENDS OF WWOZ, INC.**

**Management's Summary Schedule of Prior Audit Findings (Continued)**

**For the Year Ended June 30, 2009**

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**Finding 08-06 – Lack of Controls Over Disbursements**

**Condition:** During our testing of check disbursements, the support for seven (7) disbursements could not be located, including copies of the invoices and canceled checks. Additionally, we noted most check request forms did not contain account codes for accounts being charged. In addition, check transactions were processed without proper approvals shown on check request forms.

**Criteria:** Management of the Station is responsible for the implementation of controls that ensure proper approval of transactions, filing and retention of supporting documentation, and identification of coding on the check request form that reflect appropriate charge codes.

**Effect:** Untimely delays in detecting and correcting errors and omissions. Increased exposure for fraud and misappropriations of assets, and the possibility that they would not be detected within a timely basis.

**Cause:** Weak controls with respect to supervisory oversight and review of accountant's work.

**Recommendation:** We recommend that management strengthen controls over disbursements, including the proper completion and approval of check request forms as well as maintaining adequate support for all disbursements.

**Management Response:** We acknowledged the auditor's observation and will execute the recommendations. This observation is being addressed. Management has initiated discussions with LaPorte Sehrt Romig Hand to assist in creating, implementing and executing policies and procedures to ensure that the controls over disbursements are adequate.

**Current Status:** Unresolved. See item 09-03.